

HB 4080 A STAFF MEASURE SUMMARY

Carrier: Sen. Riley

Senate Committee On Finance and Revenue

Action Date: 03/02/18
Action: Do pass the A-Eng bill.
Vote: 4-0-1-0
Yeas: 4 - Boquist, Hass, Riley, Taylor
Exc: 1 - Baertschiger Jr
Fiscal: Has minimal fiscal impact
Revenue: Revenue impact issued
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WHAT THE MEASURE DOES:

For purposes of ABLE accounts, updates connection date to Internal Revenue Code from December 31, 2015 to December 31, 2017.

Requires taxpayer that makes a withdrawal from a 529 savings network account to pay expenses in connection with enrollment or attendance at an elementary or secondary school, to add to federal taxable income: amount of withdrawal that is attributable to contributions that were subtracted from federal taxable income along with previously untaxed earnings and gains.

ISSUES DISCUSSED:

- Measure as engrossed is focused on policy decision of whether or not to provide an Oregon tax benefit for K-12 withdrawals from a 529 savings account
- Withdrawals from account for K-12 purposes are allowed, but measure would effectively eliminate the Oregon tax benefit, if any, associated with the K-12 withdrawal
- Measure does not distinguish between private, public or religious K-12 education withdrawal.

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Oregon has had a continuing connection ("rolling reconnect") to the definition of taxable income since tax year 2011. Other ties to federal tax law must be updated on a regular basis, with December 31st being the usual connection date.

Oregon allows an income tax subtraction for contributions made to Oregon 529 College Savings Network accounts for higher education. Proceeds of the accounts are intended to be used to pay higher education related expenses for a designated beneficiary. Changes to federal law regarding 529 programs made in the Tax Cuts and Jobs Act passed in December of 2017 expanded the definition of qualified higher education expenses to include public, private and religious elementary or secondary schools (up to \$10,000 per taxable year).